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FEDERAL AID TO MICHIGAN, 2006

SEPTEMBER 2008

REPORT 351

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FEDERAL AID TO MICHIGAN, 2006

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FEDERAL EXPENDITURES IN MICHIGAN, 2006

A new report by Citizens Research Council of Michigan, *Federal Aid to Michigan, 2006*, describes the relative success (or, more precisely, the relative lack of success) of Michigan individuals, businesses, non-profit organizations, and governments in obtaining federal funding.

The federal government provides a variety of direct payments including retirement and disability payments, grants, procurement, and salaries and wages; direct and guaranteed loans; and various kinds of insurance. The

value of all of these federal payments and promises increased by \$367.1 billion, from \$3.3 trillion in federal fiscal year (FFY) 2005 to \$3.7 trillion in FFY06.

Unfortunately, between FFY05 and FFY06, Michigan slipped from 43th to 44th of the 50 states in the per capita amount of federal government expenditures received by all governmental and non-governmental recipients in the state, and from 37th to 40th in the per capita amount of federal funds that flow to Michigan's state and local governments.

Per Capita Amounts of Federal Government Expenditures

	FFY06			FFY05		
	<u>U.S.</u>	<u>Michigan</u>	<u>Rank</u>	<u>U.S.</u>	<u>Michigan</u>	<u>Rank</u>
Retirement and Disability	\$2,446.39	\$2,550.62	27	\$2,348.35	\$2,412.61	28
Other Direct Payments	1,887.02	1,881.21	21	1,676.06	1,735.84	24
Grants	1,630.13	1,280.45	42	1,559.66	1,318.03	39
Procurement	1,300.98	579.76	42	1,221.71	579.06	40
Salaries and Wages	793.62	379.33	49	762.07	368.48	49
Total Payments	\$8,058.14	\$6,671.37	44	\$7,567.85	\$6,414.02	43

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

If Michigan had received federal direct payments (excluding loans and insurance coverage) equal to the state's 3.4 percent of the nation's population in FFY05, an additional \$13 billion would have been transferred from the federal government to the state. Using the same methodology, if Michigan had received the same percentage of federal direct payments as its 3.4 percent of population in FFY06, an additional \$15 billion would have been transferred to the state in that year. Further, if Michigan had received a proportion based on population of all federal payments, direct and guaranteed loans, and insurance coverage, an additional \$47 billion in value (direct payments including loans, and insurance coverage) would have been di-

rected to Michigan in 2006 (up from \$39 billion in 2005).

After comparing transfers from various federal government programs to Michigan in FFY05 and FFY06, the report concludes that there may be unrealized potential for much needed economic stimulus in Michigan in the form of increased federal grant revenues and procurement activity. Two approaches are needed: federal programs must be reviewed to insure they are not inadvertently disadvantageous to Michigan entities; and individuals, businesses, non-profits, and governments in Michigan must become more aware of, and successful in competing for, grants and contracts.

FEDERAL EXPENDITURES IN MICHIGAN, 2006

Between federal fiscal year (FFY) 2005 and FFY06, Michigan slipped from 43th to 44th of the 50 states in the per capita amount of federal government expenditures received by all governmental and non-governmental recipients in the state, and from 37th to 40th in the per capita amount of federal funds that flow to state and local government.

In March 2008, Citizens Research Council of Michigan published an analysis of data on federal expenditures by state in FFY05. That analysis argued for examination of federal programs to insure that Michigan receives maximum benefits from existing programs and efforts to develop new or modified federal programs that better address Michigan's needs. Data for FFY06 are now available (the *Consolidated Federal Funds Report for Fiscal Year 2006* and *Federal Aid to States for Fiscal Year 2006* were released by the federal government just seven

months after the reports for FFY05 were issued). The new data emphasize that more could be done to maximize potential payments from some existing federal programs and to refine existing, or shape new federal programs to better meet Michigan needs. In particular, attention should be paid to increasing federal grants and procurements contracts to Michigan recipients.

The federal reports include both actual payments and obligated funds, and exclude some categories of federal spending such as interest on federal debt, some travel expenses, international payments and foreign aid that cannot be allocated to individual states. The FFY06 data show an increase in the dollar amount of federal payments in total and to Michigan; a reduction in Michigan population, both actual and in proportion to the nation; and a decline in the proportion of federal payments that flow to Michigan.

All Federal Payments and Promises

The federal government provides a variety of direct payments including retirement and disability payments, grants, procurement, and salaries and wages; direct and guaranteed loans; and various kinds

of insurance. The value of all of these payments and promises, which go to individuals, governments, non-profit and for-profit organizations, increased by \$367.1 billion from FFY05 to FFY06 (See **Table I**).

Table I
Federal Payments to All States and Outlying Areas
(Dollars in Millions)

	<u>FFY06</u>	<u>FFY05</u>	<u>Inc/Dec</u>
Direct Payments	\$2,454,998	\$2,284,760	\$170,238
Insurance	1,065,894	859,279	206,614
Guaranteed Loans	159,814	164,632	-4,817
Direct Loans	<u>23,767</u>	<u>28,703</u>	<u>-4,936</u>
Total	\$3,704,473	\$3,337,374	\$367,099

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

CRC REPORT

In FFY06, all public and private Michigan recipients received a total of \$2.6 billion more in federal direct payments, but the percentage of those distributions

that came to Michigan dropped to 2.74 percent (See **Table 2**).

Table 2
Federal Direct Payments and Obligations*
(Dollars in Millions)

<u>FFY</u>	<u>United States</u>	<u>Michigan</u>	<u>Michigan Percent of U.S.</u>	<u>as</u>
2006	\$2,454,998	\$67,352	2.74%	
2005	2,284,760	64,787	2.84	
2004	2,160,458	60,465	2.80	
2003	2,061,486	57,870	2.81	
2002	1,937,278	55,910	2.89	
2001	1,794,907	51,722	2.88	
2000	1,650,788	46,851	2.84	
1999	1,555,651	44,128	2.84	
1998	1,486,406	41,986	2.82	
1997	1,439,891	41,236	2.86	

*Excluding loans and insurance programs

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

When the value of direct and guaranteed loans and federally guaranteed insurance are included in the base, the proportion of the total value of payments and promises that flowed to Michigan slipped from 2.26 percent in FFY05 to 2.09 percent in FFY06. While these percentage differences may seem small, the

dollar amounts involved are very substantial: if Michigan had received 2.26 percent of all federal FFY06 payments and promises in FFY06, an additional \$6.4 billion would have supported the state's economy (See **Table 3**).

Table 3
Federal Payments to Michigan
(Dollars in Millions)

	<u>Dollars</u>			<u>% of Total</u>		
	<u>FFY06</u>	<u>FFY05</u>	<u>Inc/Dec</u>	<u>FFY06</u>	<u>FFY05</u>	<u>Inc/Dec</u>
Direct Payments	\$67,352	\$64,787	\$2,565	2.74%	2.84%	-0.09%
Insurance	4,755	4,387	368	0.45	0.51	-0.06
Guaranteed Loans	4,567	4,828	-262	2.86	2.93	-0.08
Direct Loans	662	1,261	-599	2.79	4.39	-1.61
Total	\$77,336	\$75,264	\$2,072	2.09%	2.26%	-0.17%

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

FEDERAL EXPENDITURES IN MICHIGAN, 2006

CRC Report 348, Federal Expenditures in Michigan, noted that if Michigan had received federal direct payments (excluding loans and insurance coverage) equal to the state's 3.4 percent of the nation's population, an additional \$13 billion would have been transferred from the federal government to the state in FFY05. Using the same methodology, if Michigan had received the same percentage of federal direct payments as its 3.4 percent of population in FFY06, an additional \$15 billion would have been transferred to the state in that year (Michigan received \$67.4 billion of \$2,455.0 billion in direct payments distributed nationwide in FFY06; this \$67.4 billion was 2.7434 percent of total direct payments. Michigan had 3.3719 percent of the total population; 3.3719 percent of the direct payments equals \$82.8 billion, or \$15.4 billion

more than actually flowed to this state.) Further, if Michigan had received a proportion based on population of all federal payments, direct and guaranteed loans, and insurance coverage, an additional \$47 billion in value (direct payments including loans, and insurance coverage) would have been directed to Michigan in 2006 (up from \$39 billion in 2005).

The pattern of federal payment to Michigan differs from the average of payments to all states. While 53.3 percent of all FFY06 federal payments, excluding loans and insurance, were either for "retirement and disability" or "other direct payments," nearly two-thirds (66.4 percent) of federal payments to Michigan were in those two categories (See **Table 4**).

Table 4
Federal Government Expenditures* by Category

	<u>FFY 2006</u>		<u>FFY 2005</u>		<u>Inc/Dec</u>	
	<u>U.S.</u>	<u>MI</u>	<u>U.S.</u>	<u>MI</u>	<u>U.S.</u>	<u>MI</u>
Retirement & Disability	30.12%	38.23%	30.76%	37.61%	-0.64%	0.62%
Other Direct Payments	23.19	28.20	21.88	27.06	1.31	1.14
Grants	20.13	19.19	20.55	20.55	-0.42	-1.36
Procurement Contracts	16.65	8.69	16.68	9.03	-0.03	-0.34
Salaries & Wages	9.92	5.69	10.13	5.74	-0.22	-0.06
Total	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%

*Excluding loans and insurance

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

In both FFY05 and FFY06, 16.7 percent of all federal payments, excluding loans and insurance, were for procurement contracts. During that time, the proportion of federal dollars that flowed to Michigan for procurement contracts declined from 9.0 percent

of all federal dollars to 8.7 percent. Around 10 percent of all federal expenditures, excluding loans and insurance programs, were for salaries and wages for federal employees, but less than 6 percent of those payments to Michigan were for salaries and wages.

Direct Payments to Individuals

Michigan continues to receive a larger percentage of

direct payments to individuals than it receives of other categories of federal payments (See **Table 5**).

Table 5
Federal Direct Payments
(Dollars in Millions)

FFY	<u>Retirement and Disability</u>			<u>Other Direct Payments</u>		
	<u>U.S.</u>	<u>Michigan</u>	<u>MI as a % of U.S.</u>	<u>U.S.</u>	<u>Michigan</u>	<u>MI as a % of U.S.</u>
2006	\$739,328	\$25,750	3.48%	\$569,380	\$18,992	3.34%
2005	702,758	24,369	3.47	499,928	17,533	3.51
2004	666,969	22,916	3.44	469,545	16,616	3.54
2003	636,239	22,042	3.46	446,119	15,556	3.49
2002	612,996	21,241	3.47	423,965	14,564	3.44
2001	600,075	20,848	3.47	377,144	12,626	3.35
2000	555,758	19,207	3.46	331,685	11,081	3.34
1999	523,449	18,141	3.47	322,536	10,764	3.34
1998	507,201	17,544	3.46	309,403	10,640	3.44
1997	488,981	16,903	3.46	310,746	10,718	3.45

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

In FFY06, Michigan residents received \$25.8 billion in federal payments for retirement and disability. This was 3.48 percent of the total paid, and nearly identical to the percentage received every year since FFY97. Within this category, Michigan residents received relatively more from social security payments and relatively less from federal payments to retired and disabled federal

employees and veterans. While the dollar amount received by Michigan beneficiaries of Supplemental Security Income (SSI) declined by \$113.6 million from FFY05 to FFY06, the proportion of SSI payments remained stable because all federal payments for SSI were reduced, from \$40.9 billion in FFY05 to \$37.7 billion in FFY06 (See **Table 6**).

Table 6
Direct Federal Payments to Individuals in Michigan for Retirement and Disability
(Dollars in Thousands)

	<u>Amounts</u>		<u>Percent of the Total</u>	
	<u>FFY06</u>	<u>FFY05</u>	<u>2006</u>	<u>2005</u>
Social Security Retirement Insurance	\$13,536,752	\$12,800,382	3.87%	3.86%
Social Security Survivors Insurance	4,321,839	4,099,863	4.04	4.05
Social Security Disability Payments	4,017,270	3,611,742	4.04	4.01
Supplemental Security Income	1,289,579	1,403,181	3.42	3.43
Federal Civilian Retirement & Disability	976,481	929,755	1.65	1.66
Service Connected Veterans Benefits	579,082	531,370	2.22	2.19
Other Direct Payments	453,941	432,780	2.76	2.79
Federal Military Retirement & Disability	388,844	383,489	1.08	1.07
Other Veterans Benefits	<u>186,355</u>	<u>176,787</u>	2.42	2.35
Total	\$25,750,143	\$24,369,349	3.48	3.47

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

FEDERAL EXPENDITURES IN MICHIGAN, 2006

Direct payments other than for retirement and disability made to Michigan residents totaled \$19.0 billion, 3.34 percent of all such distributions, in FFY06. In both 2005 and 2006, Michigan's unemployment rate was (and remains) much higher than the national average: in July 2005, the U.S. unemployment rate was 5.0 percent and Michigan's rate was 6.8 percent. In July 2006, the U.S. unemployment rate was 4.7 percent and Michigan's rate was 6.9 percent. Included in FFY06 federal direct payments was \$1.8 billion in federal funding of unemployment compensation (6.41

percent of all federal payments in that category), and \$1.2 billion in federal food stamp payments (4.09 percent of those federal payments). Nationwide, federal direct payments other than for retirement and disability increased by \$69.5 billion from FFY05 to FFY06, and those payments to Michigan recipients increased by \$1.5 billion. The proportion of direct payments other than for retirement and disability made to Michigan residents declined from 3.51 percent in FFY05 to 3.34 percent in FFY06 (See **Table 7**).

Table 7

Direct Federal Payments to Individuals in Michigan Other Than for Retirement and Disability
(Dollars in Thousands)

	<u>Amounts</u>		<u>Percent of the Total</u>	
	<u>FFY06</u>	<u>FFY05</u>	<u>2006</u>	<u>2005</u>
Medicare Hospital Insurance	\$6,724,394	\$6,606,612	3.58%	3.58%
Medicare Supplementary Insurance	6,278,104	5,893,000	3.89	3.89
Unemployment Compensation	1,805,021	1,704,703	6.41	5.81
Food Stamp Payments	1,238,789	1,098,818	4.09	3.84
Excess Earned Income Tax Credits	1,097,864	1,034,496	2.92	2.88
Agricultural Assistance	400,930	353,117	1.41	1.70
Fed. Employee Life & Health Insurance	307,310	266,306	1.45	1.39
Housing Assistance	156,131	68,261	1.69	1.50
Other*	<u>983,467</u>	<u>508,083</u>	1.51	1.98
Total	\$18,992,009	\$17,533,398	3.34%	3.51%

* Programs in the "Other" category that had large increases from FFY05 to FFY06 included the Pell Grant Program (\$260.3 million to \$456.5 million), and Medicare Prescription Drug Coverage (\$0 to \$222.1 million).

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

Grants

Federal grants may be based on a distribution formula, such as block grants, or based on a specific project. Project grants include fellowships, scholarships, research grants, training grants, traineeships, experimental and demonstration grants, evaluation grants, planning grants, technical assistance grants, survey grants, construction grants, and unsolicited contractual agreements. Grant obligations made in one fiscal year may not translate to outlays during that fiscal year.

Michigan received a smaller amount and a smaller proportion of new federal grant obligations in FFY06. While the total dollar amount of federal grants increased by \$24.6 billion, from \$469.6 billion in FFY05 to \$494.1 billion in FFY06, grants to Michigan recipients declined by \$386.2 million, from \$13.3 billion to \$12.9 billion. The 2.62 percent of federal grants that flowed to Michigan in FFY06 was the smallest proportion of federal grants received in at least a decade (See **Table 8**).

Table 8
Federal Grants
(Dollars in Millions)

<u>FFY</u>	<u>United States</u>	<u>Michigan</u>	<u>Michigan as Percent of U.S.</u>
2006	\$494,148	\$12,927	2.62%
2005	469,579	13,313	2.84
2004	458,661	13,203	2.88
2003	441,036	12,970	2.94
2002	415,192	13,280	3.20
2001	369,606	11,720	3.17
2000	342,142	11,062	3.23
1999	314,105	10,226	3.26
1998	290,719	9,116	3.14
1997	276,065	8,864	3.21

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

FEDERAL EXPENDITURES IN MICHIGAN, 2006

Michigan recipients received \$258.0 million more in grants from the Department of Transportation, but because total federal grants from the Department of

Transportation increased by \$17.1 billion, from \$41.1 billion to \$58.2 billion, the proportion flowing to Michigan declined by 0.4 percent (See **Table 9**).

Table 9
Federal Government Grants to Michigan Recipients
(Dollars in Thousands)

<u>Federal Agency</u>	<u>Amounts</u>			<u>Percent of U.S.</u>	
	<u>FFY06</u>	<u>FFY05</u>	<u>Inc/Dec</u>	<u>2006</u>	<u>2005</u>
Health & Human Services	\$7,948,087	\$8,220,031	-\$271,944	2.81%	2.97%
Transportation	1,443,103	1,185,101	258,002	2.48	2.88
Education	1,103,657	1,168,870	-65,213	2.92	3.07
Agriculture	667,787	691,840	-24,053	2.61	2.38
Housing & Urban Development	603,631	882,237	-278,606	1.65	2.61
Labor	383,592	351,787	31,805	4.59	4.48
National Science Foundation	158,411	166,046	-7,635	3.13	3.34
Environmental Protection Agency	129,989	166,638	-36,649	3.39	4.19
Justice	123,637	148,169	-24,532	2.21	2.44
Energy	112,635	117,557	-4,922	4.92	5.18
Defense	58,678	37,876	20,802	1.53	1.20
Election Assistance Commission	35,925	14,778	21,147	61.66*	1.59
Commerce	27,263	28,246	-983	1.51	1.66
Homeland Security	23,341	25,671	-2,330	0.18	0.25
Interior	13,685	27,030	-13,345	0.31	0.57
All Other	<u>93,549</u>	<u>81,329</u>	<u>12,220</u>	1.93	1.62
Total	\$12,926,970	\$13,313,206	-\$386,236	2.62%	2.84%

* In FFY06, only four states received payments from the Federal Election Assistance Commission: Delaware, Hawaii, and Montana each received \$74 million and Michigan received \$35.9 million.
Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

Federal Health and Human Services grants nationwide increased from \$176.4 billion in 2005 to \$283.2 billion in 2006, but grants to Michigan declined from \$8.2 billion to \$7.9 billion. Federal Housing and Urban

Development grants increased from \$33.8 billion to \$36.6 billion nationwide; grants to Michigan decreased from \$882.2 million to \$603.6 million.

Procurement Contracts

Procurement contract amounts include outlays for contractual agreements for construction and purchase of equipment and other tangible items, as well as purchase of services including utilities and building leases.

Michigan businesses in general have had limited success in the competition for federal contracts. In FFY06, \$4 million more in federal procurement

contracts flowed to Michigan businesses, but that was a 0.1 percent decline in the total percentage of procurement payments flowing to the state (nationwide, procurement contract payments increased by \$27.7 billion). While still very low, the 1.43 percent of procurement contract value that flowed to Michigan in FFY06 was the second highest percentage of procurement contract value in the past decade (See **Table 10**).

Table 10
Federal Procurement Contracts
(Dollars in Millions)

<u>FFY</u>	<u>United States</u>	<u>Michigan</u>	<u>Michigan as Percent of U.S.</u>
2006	\$408,665	\$5,853	1.43%
2005	380,984	5,849	1.54
2004	339,681	4,119	1.21
2003	327,415	3,884	1.19
2002	286,094	3,539	1.24
2001	260,004	3,378	1.30
2000	236,665	2,375	1.00
1999	218,279	2,065	0.95
1998	208,914	1,871	0.90
1997	197,955	2,010	1.02

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

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One bright spot in this otherwise challenging competition is in contracts from the General Services Administration, where the value of procurement contracts for goods and services in Michigan increased from \$828.3 million in FFY05 to \$838.7 million in FFY06, in spite of a nationwide reduction of \$1.8 billion. Army procurement contracts increased by \$5.0 billion nationwide, but

procurement contracts for goods and services in Michigan declined by \$185.7 million. This was partially offset by Navy procurement contracts, which increased by \$7.7 billion nationwide and by \$164.8 million in Michigan. However, Michigan procurement contracts with the Department of Defense, which includes Army, Navy, Air Force, and other contracts, declined by \$63.6 million (See **Table II**).

Table II
Federal Government Procurement Contracts for Goods and Services in Michigan
(Dollars in Thousands)

<u>Federal Agency</u>	<u>Amounts</u>			<u>Percent of U.S.</u>	
	<u>FFY06</u>	<u>FFY05</u>	<u>Inc/Dec</u>	<u>2006</u>	<u>2005</u>
Department of Defense	\$3,900,252	\$3,963,876	-\$63,624	1.47%	1.61%
General Services Administration	838,663	828,303	10,360	7.05	6.05
Postal Service	525,540	504,022	21,518	3.47	3.51
Health and Human Services	151,557	167,642	-16,085	1.38	1.96
Veterans Affairs	134,519	93,800	40,719	0.82	0.63
Agriculture	58,426	64,596	-6,170	1.31	1.59
Justice	37,205	36,360	845	0.74	0.83
Environmental Protection Agency	29,133	29,691	-558	1.87	2.28
Homeland Security	29,048	19,799	9,249	0.19	0.19
Interior	28,917	28,989	-72	0.59	0.57
Labor	27,078	31,368	-4,290	2.04	2.06
Natl. Aeronautics and Space Admin.	26,533	30,085	-3,552	0.23	0.22
Treasury	24,922	22,406	2,516	0.63	0.62
All Other	<u>41,288</u>	<u>28,097</u>	<u>13,191</u>	0.12	0.08
Total	\$5,853,081	\$5,849,034	\$4,047	1.43%	1.54%

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

Total Non-Defense procurement contracts for goods and services in Michigan increased by \$67.7 million from FFY05 to FFY06. At the same time, the increase in federal Non-Defense procurement contract

nationwide was \$7.4 billion, and the proportion of those contracts flowing to Michigan declined very slightly, from 1.39 percent to 1.37 percent.

Federal Salaries and Wages

In FFY06, the federal government spent \$243.5 billion on salaries and wages for federal employees, an increase of \$12.0 billion from FFY05. Amounts reported reflect the place of employment rather than home residence. As is the case with procurement

contracts, relatively little of this money flows to Michigan, and, while the dollar amount has increased, the proportion of all federal salary and wage payments that are received here has declined to less than 1.6 percent for the first time in at least a decade (See **Table 12**).

Table 12
Federal Salaries and Wages
(Dollars in Millions)

<u>FFY</u>	<u>United States</u>	<u>Michigan</u>	<u>Michigan as Percent of U.S.</u>
2006	\$243,478	\$3,830	1.57%
2005	231,511	3,722	1.61
2004	225,601	3,610	1.60
2003	210,677	3,418	1.62
2002	199,032	3,286	1.65
2001	188,071	3,150	1.67
2000	184,538	3,126	1.69
1999	177,282	2,932	1.65
1998	170,176	2,814	1.65
1997	166,145	2,741	1.65

Source: Consolidated Federal Funds Report for Fiscal Year 2006; CRC Calculations

On both a dollar and a proportional basis, federal wage and salary expenditures in Michigan are highest for U.S. Postal Service employees (55.7 percent of the net increase in federal wages and salaries paid in Michigan

is attributable to the Postal Service), followed by wages and salaries for Department of Veterans Affairs employees (See **Table 13**).

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Table 13

Federal Government Expenditures for Wages and Salaries Paid to Recipients in Michigan
(Dollars in Thousands)

<u>Federal Agency</u>	<u>Amounts</u>			<u>Percent of U.S.</u>	
	<u>FFY06</u>	<u>FFY05</u>	<u>Inc/Dec</u>	<u>2006</u>	<u>2005</u>
U.S. Postal Service	\$1,953,968	\$1,894,017	\$59,951	3.47%	3.51%
Department of Defense	638,013	641,256	-3,243	0.68	0.71
Veterans Affairs	343,937	326,696	17,241	2.39	2.43
Homeland Security	200,316	185,361	14,955	2.04	2.03
Treasury	140,132	137,208	2,924	1.94	1.96
Justice	118,771	114,610	4,161	1.04	1.06
Social Security Administration	89,094	85,146	3,948	2.03	2.07
Agriculture	81,827	78,224	3,603	1.34	1.33
Transportation	71,348	76,050	-4,702	1.27	1.35
Environmental Protection Agency	28,161	26,860	1,301	1.77	1.75
Interior	25,020	22,834	2,186	0.57	0.55
All Other	<u>138,962</u>	<u>133,733</u>	<u>5,229</u>	0.54	0.55
Total	\$3,829,549	\$3,721,995	\$107,554	1.57%	1.61%

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

Direct Loan Programs

Direct loans are defined as financial assistance provided through the lending of federal monies for a specific period of time, with a reasonable expectation of repayment. Payments made by the U.S. government nationwide for direct loan programs declined by 17.2 percent, from \$28.7 billion in FFY05 to \$23.8 billion in

FFY06. Direct loans made to Michigan recipients declined from \$1.3 billion to \$661.9 million, a decline of 44.4 percent. Federal direct student loans to Michigan recipients declined from \$1.1 billion to \$492.2 million, a decline of 55.1 percent (nationally, federal direct student loans declined from \$16.7 billion to \$10.2 billion) (See **Table 14**).

Table 14

Federal Direct Loans to Michigan Recipients
(Dollars in Thousands)

<u>Federal Agency</u>	<u>Amounts</u>			<u>Percent of U.S.</u>	
	<u>FFY06</u>	<u>FFY05</u>	<u>Inc/Dec</u>	<u>2006</u>	<u>2005</u>
Federal Direct Student Loans	\$492,187	\$1,097,047	-\$604,860	4.85%	6.58%
Other Department of Agriculture	165,491	156,711	8,780	3.77	3.21
Other Direct Loans	<u>4,264</u>	<u>7,673</u>	<u>-3,409</u>	0.05	0.29
Total	\$661,942	\$1,261,431	-\$599,489	2.79%	4.39%

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

Guaranteed Loan Programs

Guaranteed loan programs are those in which the federal government makes an arrangement to indemnify a lender against all or part of a default by

those responsible for repaying a loan. Amounts guaranteed do not necessarily represent future outlays (See **Table 15**).

Table 15
Federal Guaranteed Loans to Michigan Recipients
(Dollars in Thousands)

<u>Federal Agency</u>	<u>Amounts</u>			<u>Percent of U.S.</u>	
	<u>FFY06</u>	<u>FFY05</u>	<u>Inc/Dec</u>	<u>2006</u>	<u>2005</u>
Mortgage Insurance for Homes	\$1,972,791	\$2,177,923	-\$205,132	3.75%	3.71%
Family Education Loan Program	1,425,823	1,336,850	88,973	2.68	2.63
Veterans Admin. Home Loans	391,642	375,710	15,932	1.67	1.67
Small Business Loans	380,069	416,846	-36,777	2.43	2.59
USDA Guaranteed Loans	301,966	409,569	-107,603	2.89	3.50
Mortgage Insurance for Condos	84,767	111,540	-26,773	2.97	3.02
Other	<u>9,750</u>	<u> </u>	<u>9,750</u>	1.70	0.00
Total	\$4,566,808	\$4,828,438	-\$261,630	2.86%	2.93%

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

Nationally, the value of all new guaranteed loans declined by \$4.8 billion, from \$164.6 billion in FFY05 to \$159.8 billion in FFY06. Guaranteed loans to Michigan recipients declined by \$261.6 million, from

\$4.8 billion to \$4.6 billion, with the largest dollar decline in federally guaranteed home mortgage insurance. It should be noted that the 2006 data predate the foreclosure crisis.

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Insurance Programs

Insurance is defined as financial assistance provided to assure reimbursement for losses sustained under specified conditions. Coverage may be provided

directly by the federal government or through private carriers and may or may not require the payment of premiums. Amounts insured do not necessarily represent future outlays (See **Table 16**).

Table 16
Federal Insurance Liability for Michigan Entities
(Dollars in Thousands)

<u>Federal Agency</u>	<u>Amounts</u>			<u>Percent of U.S.</u>	
	<u>FFY06</u>	<u>FFY05</u>	<u>Inc/Dec</u>	<u>2006</u>	<u>2005</u>
Flood	\$3,642,515	\$3,405,675	\$236,840	0.36%	0.42%
Crop	1,053,200	925,955	127,245	1.96	2.10
Veterans Life	48,604	49,199	-595	2.74	2.72
Foreign Investment	177	119	58	0.01	0.01
Other	<u>10,543</u>	<u>6,087</u>	<u>4,456</u>	2.42	1.52
Total	\$4,755,039	\$4,387,035	\$368,004	0.45%	0.51%

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

Nationally, the value of these federal insurance programs increased by \$206.6 billion to \$1.1 trillion in FFY06; \$196.9 million of the increase was in flood insurance. Major recipients of federal flood insurance program coverage in FFY06 include Florida (\$417.9 billion), Texas (\$126.3 billion), and Louisiana (\$83.4 billion), all of which were battered by Hurricane Katrina in August 2005. Federal law requires the purchase of flood insurance, which is offered through the National Flood Insurance Program, as a condition of disaster

assistance grants and loans.

Federal programs provided \$3.6 billion of flood insurance and \$1.1 billion of crop insurance to entities in Michigan in FFY06. The value of federal insurance coverage for Michigan entities increased by \$368.0 million from FFY05 to FFY06, but the proportion of the total value of federal insurance that flowed to Michigan entities declined from 0.51 percent to 0.45 percent.

Per Capita Payments

From FFY05 to FFY06, as the nation's population increased by nearly 1 percent to 299.4 million and

Michigan lost 5,190 residents, Michigan's share of the nation's population slipped from 3.41 percent to 3.37 percent (See **Table 17**).

Table 17
Population of United States and Michigan, 2005 and 2006

<u>FFY</u>	<u>United States</u>	<u>Michigan</u>	<u>Michigan as Percent of U.S.</u>
2005	296,507,061	10,100,833	3.41 %
2006	299,398,484	10,095,643	3.37 %
Inc. or Dec. #	2,891,423	-5,190	-0.04 %
Inc. or Dec. %	0.98 %	-0.05 %	-1.17 %

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

The per capita amounts of federal funds that flow to Michigan reflect those changes in the national population and the population of Michigan, as well as fluctuations in funding for various federal programs and Michigan's relative success in the competition for

those programs. Overall, Michigan slipped from 43rd to 44th of the 50 states in the per capita amount of direct federal funds (excluding loans and insurance) flowing to the state (See **Table 18**).

Table 18
Per Capita Amounts of Federal Government Expenditures

	<u>FFY06</u>			<u>FFY05</u>		
	<u>U.S.</u>	<u>Michigan</u>	<u>Rank</u>	<u>U.S.</u>	<u>Michigan</u>	<u>Rank</u>
Retirement and Disability	\$2,446.39	\$2,550.62	27	\$2,348.35	\$2,412.61	28
Other Direct Payments	1,887.02	1,881.21	21	1,676.06	1,735.84	24
Grants	1,630.13	1,280.45	42	1,559.66	1,318.03	39
Procurement	1,300.98	579.76	42	1,221.71	579.06	40
Salaries and Wages	793.62	379.33	49	762.07	368.48	49
Total Payments	\$8,058.14	\$6,671.37	44	\$7,567.85	\$6,414.02	43

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

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Although Michigan's per capita rank improved in the direct payment categories of retirement and disability (from 28th to 27th) and other direct payments (from 24th to 21st), the state per capita ranking slipped in the categories of grants (39th to 42nd) and procurement (40th to 42nd), and remained at 49th in federal salaries

and wages (only Wisconsin ranked lower).

In FFY06, hurricane ravaged Louisiana and Mississippi ranked 1st and 2nd respectively in per capita federal expenditures. Four of the eight Great Lakes states rank 44th or lower (See **Table 19**).

Table 19
Federal Government Expenditures* by State
Per Capita Ranking of States for FFY06

<u>Top Ten</u>		<u>Bottom Ten</u>	
<u>State</u>	<u>Rank</u>	<u>State</u>	<u>Rank</u>
Louisiana	1	Delaware	41
Mississippi	2	Idaho	42
Alaska	3	New Hampshire	43
Virginia	4	Michigan	44
Maryland	5	Illinois	45
New Mexico	6	Oregon	46
Hawaii	7	Wisconsin	47
South Dakota	8	Minnesota	48
Wyoming	9	Utah	49
North Dakota	10	Nevada	50

* Amounts include retirement and disability, other direct payments, grants, procurement, and federal salaries and wages.

Source: Consolidated Federal Funds Reports for Fiscal Years 2005 and 2006; CRC Calculations

Federal Aid to Michigan State and Local Governments

In FFY06, the federal government transferred \$428.2 billion to states and local governments. Of that amount, \$11.6 billion (2.72 percent) flowed to Michigan state and local governments. In FFY05, the federal government had transferred \$403.7 billion to state and local governments, of which \$12.1 billion (3.00 percent) had flowed to Michigan. Thus, while more resources are being made available nationally by the federal government, Michigan and its local

governments are receiving less in both dollar amounts and in percentage terms. Michigan's state and local governments were among 17 states that received fewer dollars from the federal government in 2006 than in 2005, and were among 23 states that received less on a per capita basis. The following table includes the ten states that received the largest dollar amounts of federal funding for state and local governments in FFY06 (See **Table 20**).

Table 20
Federal Aid to State and Local Governments

<u>State</u>	<u>Dollars in Millions</u>			<u>Dollars Per Capita</u>		
	<u>FFY06</u>	<u>FFY05</u>	<u>Inc/Dec</u>	<u>FFY06</u>	<u>FFY05</u>	<u>Inc/Dec</u>
California	\$46,033	\$46,029	\$3	\$1,262.64	\$1,273.14	-\$10.50
New York	41,863	43,438	-1,575	2,168.37	2,248.84	-80.47
Texas	29,327	25,622	3,705	1,247.56	1,117.47	130.09
Florida	19,115	19,046	69	1,056.66	1,071.90	-15.24
Pennsylvania	17,963	18,103	-140	1,443.91	1,459.27	-15.36
Illinois	14,689	14,616	73	1,144.70	1,144.97	-0.27
Ohio	14,275	13,726	549	1,243.67	1,196.57	47.10
Michigan	11,645	12,113	-467	1,153.49	1,199.18	-45.69
North Carolina	11,455	11,568	-113	1,293.40	1,333.84	-40.44
New Jersey	11,117	10,479	638	1,274.17	1,204.02	70.15

Source: Federal Aid to States for Fiscal Year 2005; Federal Aid to States for Fiscal Year 2006; CRC Calculations

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Among all states, the largest increase in federal funding for state and local governments went to Texas (\$3.7

billion); the largest decrease went to New York (\$1.6 billion).

Table 21

Federal Aid to Michigan State and Local Governments by Federal Department (Dollars in Thousands)

	<u>FFY06</u>	<u>FFY05</u>	<u>Inc/Dec</u>
Health and Human Services	\$6,390,587	\$7,446,996	-\$1,056,409
Transportation	1,242,910	1,168,568	74,342
Education	1,223,152	1,234,214	-11,062
Housing & Urban Development	1,009,713	753,029	256,684
Agriculture	646,398	616,615	29,783
Labor	392,465	353,236	39,229
Justice	303,591	166,827	136,764
Environmental Protection Agency	155,304	120,806	34,498
Homeland Security	78,042	81,509	-3,467
Interior	53,154	48,235	4,919
Defense	33,396	20,228	13,168
Energy	25,827	21,138	4,689
Veterans Affairs	19,740	17,846	1,894
National Found. for Arts & Humanities	7,884	8,891	-1,007
Commerce	7,588	21,192	-13,604
Treasury	2,731	1,293	1,438
Equal Employment Opportunity Comm.	1,223	925	298
Social Security Admin S.S.I.	1,038	882	156
Neighborhood Reinvestment Corp.	640	390	250
Other	<u>49,822</u>	<u>29,868</u>	<u>19,954</u>
Total	\$11,645,205	\$12,112,688	-\$467,483

Source: Federal Aid to States for Fiscal Year 2005; Federal Aid to States for Fiscal Year 2006; CRC Calculations

In FFY06, the Department of Housing and Urban Development (HUD) distributed \$11.6 billion more to all state and local governments than it had in FFY05. Michigan received a net of \$256.7 million more from HUD, including \$370.3 million more in low rent housing assistance (low rent housing assistance funding increased by \$17.5 billion nationwide), which was partially offset by receiving \$127.6 million less from housing certificate programs (these programs received \$5.9 billion less nationally).

Michigan received \$1.1 billion less in funding from the Department of Health and Human Services (HHS) in

FFY06 than it received in FFY05, even though the total amount transferred from HHS to all state and local governments increased by \$1.8 billion. Michigan received \$734.8 million less in HHS funding for temporary assistance to needy families (TANF), \$256.7 million less for Medicare and Medicaid, and \$78.0 million less for child care and development.

These programs exemplify an area of particular concern: programs for which funding increased on a national basis, but from which Michigan state and local governments received less in FFY06 than in FFY05. Such programs are noted in **Table 22**.

Table 22
Changes in Federal Funding, FFY05 to FFY06
Federal Programs in Which Funding Increased, but Michigan Received Less
(Dollars in Thousands)

<u>Department Program</u>	<u>National Increase</u>	<u>M i c h i g a n Loss</u>
<u>Agriculture</u>		
Food Stamps	\$150,893	-\$1,374
Forest Service Payments	5,702	-119
National Forest Service	1,919	-16
Forest Service-Other	1,925	-305
Natural Resources Conservation	6,106	-24
<u>Education</u>		
Rehabilitation Services and Disability Research	7,176	-1,484
Vocational Technical Education	65,414	-486
<u>Health and Human Services</u>		
Child Care and Development	356,607	-78,039
Safe and Stable Families	7,721	-1,129
Refugee and Entrant Assistance	355,993	-1,992
Social Services Block Grant	6,290	-10,121
Temporary Assistance to Needy Families (TANF)	449,484	-734,846
Centers for Medicaid and Medicare Services	47,621	-256,708
Indian Health Services	5,456	-157
Substance Abuse and Mental Health	55,378	-2,607
<u>Homeland Security</u>		
Coast Guard	19,644	-371
Disaster Relief	2,024,813	-889
Emergency Management Planning and Assistance	11,598	-2,500
<u>Housing and Urban Development</u>		
Community Development Block Grant	29,325	-8,395
Housing for Special Populations	18,267	-1,885
<u>Interior</u>		
Bureau of Indian Affairs	11,287	-1,222
Fish and Wildlife-Other	1,683	-141
<u>Justice</u>		
Office of Asset Forfeiture	42,721	-3,578
Juvenile Justice	102,945	-25,617
Community Oriented Policing	1,088,282	-171
Violence Against Women and Children	44,186	-2,499
Office of Justice Programs-Other	250,592	-4,059
<u>Labor</u>		
Mine Safety Health and Administration	602	-30
<u>State Justice Institute</u>	137	-11

Source: Federal Aid to States for Fiscal Year 2005; Federal Aid to States for Fiscal Year 2006;
CRC Calculations

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Advocates for Michigan may consider initiating a close inspection of these programs to determine what circumstances led to the reduction of funding for

Michigan state and local governments from programs that increased support for state and local governments nationwide.

Table 23

Changes in Federal Funding for Programs in which Michigan Funding Increased, FFY05 to FFY06

(Dollars in Thousands)

<u>Department Program</u>	<u>National Increase</u>	<u>Michigan Loss</u>
<u>Agriculture</u>		
Farm Service Agency	-\$1,982	\$19
Rural, Regional, and Cooperative Development	-23,935	310
Rural Development- Other	-9,657	17
<u>Corporation for National and Community Service</u>	-2,184	69
<u>Education</u>		
Office of English Language Acquisition	-45,295	201
Office of Educational Research and Improvement	-6,620	1,141
Adult Education and Literacy Programs	-18,065	3,058
Elementary and Secondary Ed-Disadvantaged-Other	-17,500	4,563
<u>Election Assistance Commission</u>	-868,974	21,147
<u>Energy</u>		
Energy Conservation Programs	-77,935	1,286
<u>Equal Employment Opportunity Commission</u>	-920	298
<u>Health and Human Services</u>		
Health Resources and Services Administration	-261,782	4,441
<u>Homeland Security</u>		
Domestic Preparedness and Antiterrorism	-410,954	284
<u>Housing and Urban Development</u>		
Empowerment Zones & Other Economic Development	-7,495	733
Neighborhood Revitalization	-128,016	5,438
Housing Programs-Other	-340,599	600
<u>Justice</u>		
Crime Victims Programs	-47,951	2,311
<u>Labor</u>		
State Unemployment Insurance & Employment Services	-92,861	12,264
<u>Transportation</u>		
Federal Highway Admin-Demonstration Projects	-45,161	1,087
National Highway Traffic Safety Administration	-2,097	2,761
<u>Treasury</u>		
Asset Forfeiture Fund	-6,074	1,279
Department of Treasury-Other	-61,213	159
<u>Veterans Affairs</u>	-126,021	1,894

In contrast, there were programs in which the total amount distributed nationally decreased while the amount distributed to Michigan increased. The gains from these programs were much less than the losses reflected in the preceding table. Programs for which funding decreased on a national basis, but from which Michigan state and local governments received more in FFY06 than in FFY05, are noted in **Table 23** (on page 19).

Per Capita Payments to State and Local Governments

On a per capita basis, the largest increases in federal funding went to hurricane damaged Mississippi

(\$690.87, from \$1,776.99 in FFY05 to \$2,467.86 in FFY06) and Louisiana (\$516.37, from \$1,585.83 to \$2,102.20) and the largest decreases went to sparsely populated Wyoming (-\$528.61, from \$4,407.69 to \$3,879.08) and Alaska (-\$407.81, from \$4,026.80 to \$3,618.99).

In FFY05, Michigan state and local governments received \$1,199.18 per capita from the federal government. Federal government transfers fell to \$1,153.49 per capita in FFY06, a reduction of \$45.69 per capita, or 3.8 percent. In FFY06, Michigan ranked 40th of the 50 states in per capita federal funding for state and local governments (in FFY05, Michigan had ranked 37th) (See **Table 24**).

Table 24

Federal Aid Per Capita Aid to Michigan State and Local Governments by Federal Department or Agency
(Dollars in Thousands)

Federal Department	FFY06	FFY05	Inc/Dec
Health and Human Services	\$633.00	\$737.27	-\$104.26
Transportation	123.11	115.69	7.42
Education	121.16	122.19	-1.03
Housing & Urban Development	100.01	74.55	25.46
Agriculture	64.03	61.05	2.98
Labor	38.87	34.97	3.90
Justice	30.07	16.52	13.56
Environmental Protection Agency	15.38	11.96	3.42
Homeland Security	7.73	8.07	0.34
Interior	5.27	4.78	0.49
Defense	3.31	2.00	1.31
Energy	2.56	2.09	0.47
Veterans Affairs	1.96	1.77	0.19
National Found. for Arts & Humanities	0.78	0.88	-0.10
Commerce	0.75	2.10	-1.35
Treasury	0.27	0.13	0.14
Equal Employment Opportunity Comm.	0.12	1.09	0.03
Social Security Admin S.S.I.	0.10	0.09	0.02
Neighborhood Reinvestment Corp.	0.06	0.04	0.02
Other	4.95	1.94	3.01
Total	\$1,153.49	\$1,199.18	-\$45.69

Source: Federal Aid to States for Fiscal Year 2005; Federal Aid to States for Fiscal Year 2006; CRC Calculations

FEDERAL EXPENDITURES IN MICHIGAN, 2006

There were few programs in which funding changes between FFY05 and FFY06 resulted in more than a \$5.00 per capita change in payments to Michigan state

and local governments. The largest of these was a \$72.75 reduction in per capita funding for temporary assistance to needy families (See **Table 25**).

Table 25

Select Federal Programs: Per Capita Support to Michigan State and Local Governments
(Dollars in Thousands)

<u>Department Program</u>	<u>FFY06</u>	<u>FFY05</u>	<u>Inc/Dec</u>
<u>Health and Human Services</u>			
Centers for Medicare & Medicaid Services	\$501.19	\$526.34	-\$25.16
Temporary Assistance to Needy Families	11.51	84.26	-72.75
Child Care and Development	6.42	14.14	-7.72
<u>Housing and Urban Development</u>			
Low Rent Housing Assistance	41.96	5.29	36.68
Housing Certificate Programs	20.09	32.71	-12.62
<u>Justice</u>			
Substance Abuse Programs	24.29	5.02	19.27
<u>Transportation</u>			
Highway Trust Fund	98.97	93.87	5.10

Source: Federal Aid to States for Fiscal Year 2005; Federal Aid to States for Fiscal Year 2006; CRC Calculations

In FFY06, Michigan ranked 40th in federal per capita payments to state and local governments (See **Table 26**).

Table 26

Federal Aid to State and Local Governments: Per Capita Ranking of States for FFY06

<u>Top Eleven</u>		<u>Bottom Eleven</u>	
<u>State</u>	<u>Rank</u>	<u>State</u>	<u>Rank</u>
Wyoming	1	Michigan	40
Alaska	2	Washington	41
Mississippi	3	Illinois	42
New York	4	Wisconsin	43
Louisiana	5	Nevada	44
New Mexico	6	Indiana	45
Vermont	7	Utah	46
North Dakota	8	Florida	47
Rhode Island	9	Colorado	48
Maine	10	Georgia	49
Montana	11	Virginia	50

Source: Federal Aid to States for Fiscal Year 2006

Conclusion

As Michigan's economic distress has deepened, the state has fallen further behind in the competition for federal dollars. Entitlement payments including social security and Medicare, as well as federal payments for unemployment and food stamps, provide some indication of need in a state hard hit by the decline of its manufacturing base. "Retirement and disability" and "other direct payments to individuals" comprise two-thirds of the federal dollars, excluding loans and insurance, that flow to Michigan.

Individuals and organizations in Michigan continue to do relatively poorly in the national competition for grants and procurement contracts. And the dearth of economic stimulus resulting from the absence of major military bases, large federal research installations, or significant numbers of federal employees, continues. Between FFY05 and FFY06, Michigan slipped from 43rd to 44th in the state ranking for per capita amounts of federal government expenditures.

Michigan state and local governments received \$467.5 million less from the federal government in FFY06 than in FFY05. Michigan also received a smaller proportion of federal payments to state and local governments: that proportion fell from 3.0 percent in FFY05 to 2.72 percent in FFY06. The state's ranking for per capita amounts of federal payments to state and local governments slipped from 37th in FFY05 to 40th in FFY06.

There may be unrealized potential for much needed economic stimulus in Michigan in the form of federal grants and procurement activity. Two approaches are needed: federal programs must be reviewed to insure they are not inadvertently disadvantageous to Michigan entities; and individuals, businesses, non-profits, and governments in Michigan must become more aware of, and successful in competing for, grants and contracts. Unfortunately, the most recent data indicate a further weakening of Michigan's performance relative to other states.